

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	Turnaround Initiatives Analysis													
2	Case Management Improvement													
3														
4														
5	MEDICARE LOS REDUCTION EBITDA IMPROVEMENT OPPORTUNITY													
6	Conclusion: Achievable LOS reduction could have generated savings improvement equal to (\$000s)													
7	The correction of calculation errors and assumptions reduces Singleton Report Improvement opportunity by (\$000s)										\$	1,363		
8											\$	(1,182)		
9	Finding #1: A calculation error was made in the Singleton report in estimating Medicare LOS savings through an analysis of total patient LOS.													
10	Error #1: Medicare LOS analysis is derived from total patient reduction opportunity and incorrectly extrapolated to Medicare patient population													
11	Basis - Methodology incorrectly calculates total patient length of stay, rather than direct calculation of Medicare length of stay reduction opportunity													
12	DVOG hospitals with mistake - all													
13	Remedy - Evaluate Medicare LOS reduction opportunity on Medicare cases													
14														
15														
16	Finding #2: A calculation error was made in the Singleton Report in the reliance on a total patient CMI in the calculation of Medicare ALOS CMI adjusted													
17	Error #2: Medicare CMI adjusted LOS is incorrectly calculated based on total patient population CMI, should be calculated based on Medicare CMI, as published by CMS													
18	Basis - Calculation applies total patient CMI to all payor class													
19	DVOG hospitals with mistake - all													
20	Remedy - Calculate Medicare CMI adjusted LOS and compare to benchmark													
21														
22														
23	Finding #3: A calculation was made in the Singleton report in excluding nursery volume from the calculation of DVOG acute care ALOS by payor													
24	Error #3: Newborn volume is excluded from DVOG hospital patient days and discharges. Benchmark data includes newborn volumes.													
25	Basis - Acute care volume by payor type, including nursery, reported in Medicare Cost Reports, and AHERF volume reports by payor class													
26	DVOG hospitals with mistake - all													
27	Remedy - Include nursery volume in LOS calculation and comparison to benchmark, however focus of the adjusted analysis on Medicare renders this error moot.													
28														
29														
30	Finding #4: A number of errors of assumptions were made in the Singleton report in the selection of the benchmark measure of achievable result													
31	Finding #5: The Singleton report proposes a LOS benchmark that fails to differentiate for teaching status, specialty children's hospital and urban tertiary hospital status													
32	Error #4: Unsubstantiated benchmark fails to differentiate for teaching status, specialty children's hospital and urban tertiary hospital status of DVOG hospitals.													
33	Basis - Constant 3.5 standard does not recognize the specialty nature of DVOG teaching hospitals (MCP, Hahnemann), children's hospital (St. Chris), and urban, tertiary hospitals (Bucks, Elkins Park) Medicare patients													
34	DVOG hospitals with mistake - all													
35	Remedy - Compare DVOG LOS performance to objective, appropriate benchmark standard of achievable performance that accounts for different DVOG hospital peer group status and Medicare patients													
36														

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	Turnaround Initiatives Analysis													
2	Case Management Improvement													
3														
37														
38														
39	AUH, MCP (East Falls)													
40	Title XVIII - Medicare	27,302	3,693	7.39		1.63	4.54	4.2	(1,261)	\$ (252,140)	\$ (252,140)	\$ (252,140)		
41	Title XIX - Medicaid	21,890	1,961	11.16										
42	Other payors	20,072	6,822	2.94										
43	Total All Payors	69,264	12,476	5.55	1.39									
44														
45	AUH, Elkins Park													
46	Title XVIII - Medicare	14,560	2,125	6.86		1.17	5.87	4.4	(3,125)	\$ (625,080)	\$ (625,080)	\$ (625,080)		
47	Title XIX - Medicaid	2,485	468	5.31										
48	Other payors	10,985	3,180	3.45										
49	Total All Payors	28,050	5,773	4.86	0.99									
50														
51	AUH, Bucks County													
52	Title XVIII - Medicare	11,728	1,649	7.11		1.24	5.74	4.4	(2,209)	\$ (441,867)	\$ (441,867)	\$ (441,867)		
53	Title XIX - Medicaid	2,130	487	4.37										
54	Other payors	9,409	2,739	3.44										
55	Total All Payors	23,267	4,875	4.77	0.95									
56														
57	St. Christopher's													
58	Title XVIII - Medicare	413	42	9.83		1.05	9.37	4.08	(222)	\$ (44,395)	\$ (44,395)	\$ (44,395)		
59	Title XIX - Medicaid	14,730	2,549	5.78										
60	Other payors	36,596	7,878	4.65										
61	Total All Payors	51,739	10,469	4.94	1.05									
62														
63	AUH, Hahnemann (Center City)													
64	Title XVIII - Medicare	51,779	6,203	8.35		2.18	3.83	4.2	2,323	\$ 464,507	\$ -	\$ -		
65	Title XIX - Medicaid	12,769	1,938	6.59										
66	Other payors	63,470	12,588	5.04										
67	Total All Payors	128,018	20,729	6.18	1.77									
68														
69														
70	Sources / Notes:													
71	(1) Total acute care adults and Peds total patient days (including newborn), sourced from 1996 Medicare Cost Reports.													
72	(2) Total acute care adults and Peds total admissions (including newborn), sourced from 1996 Medicare Cost Reports.													
73	(3) All-patients case mix index ("CMI").													
74	(4) Medicare CMI based on CMS data.													
75	(5) Medicare LOS, adj for case mix, benchmarks: St. Chris based on CHIPS, 1996 median, Bucks and Elkins Park - 'Urban Hospitals, \$25-\$60M revenue', MCP and Hahnemann - 'Teaching'.													
76														

Exhibit 11

A	B	C	D	E	F	G	H	I	J	K	L	M
1	Turnaround Initiatives Analysis											
2	Revenue Cycle Improvement											
3												
4												
5	Conclusion: An achievable improvement in bad debt to an appropriate benchmark standard is equal to (\$000s)											
6	Correction of benchmark assumption reduces Singleton Report improvement opportunity by (\$000s)											
7												
8	Finding #1: Bad debt											
9	Error #1: Singleton Report assumes bad debt improvement opportunity based on historical performance standard, before accounting adjustments											
10	Remedy - Determine improvement opportunity based on difference between adjusted bad debt amount and benchmark											
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Exhibit 12

Conclusion: An achievable improvement in bad debt to an appropriate benchmark standard is equal to (\$000s) \$ 10,942
 Correction of benchmark assumption reduces Singleton Report improvement opportunity by (\$000s) \$ 21,389

Finding #1: Bad debt

Error #1: Singleton Report assumes bad debt improvement opportunity based on historical performance standard, before accounting adjustments
 Remedy - Determine improvement opportunity based on difference between adjusted bad debt amount and benchmark

	Hahnemann	MCP	St. Chris	Bucks	Elkins Park	DVOG Hospitals	Sources / Notes:	check sum
Gross patient service revenue	\$ 885,780	\$ 497,624	\$ 298,330	\$ 127,521	\$ 163,974	\$ 1,973,229	FY1996 audit	
FYE1996 bad debt - audit	13,018	14,569	5,636	3,777	2,573	39,573	FY1996 audit	
Bad debt rate - audit	1.5%	2.9%	1.9%	3.0%	1.6%	2.0%	calculated	
Bad debt rate - adjusted	3.605	7.449	9.792	5.260	6.225	32.331	Mr. Berliner, accounting expert	
FYE1996 bad debt - audit	13,018	14,569	5,636	3,777	2,573	39,573	FY1996 audit	
FYE1996 bad debt - adjusted	\$ 16,623	\$ 22,018	\$ 15,428	\$ 9,037	\$ 8,798	\$ 71,904	calculated	
Bad debt rate - adjusted	1.9%	4.4%	5.2%	7.1%	5.4%	3.6%	calculated	
Benchmark standard	2.6%	3.0%	3.9%	3.9%	3.9%	3.0%		
DVOG bad debt at benchmark	23,030	14,929	11,635	4,973	6,395	59,197		1,765
A - B Bad debt oppy - all hospital sum	\$ (6,407)	\$ 7,089	\$ 3,793	\$ 4,064	\$ 2,403	\$ 10,942		

Benchmark Category	US Total	0-100 beds	101-200 beds	201-400 beds	400+ beds
Bad debt as % of GPR	3.0%	3.2%	3.9%	3.0%	2.6%

HARA 2nd Quarter 1996

Sources / Notes:

- (1) C&L FY1996 audit workpapers, (CL010584 - 010585; CL010553 - 010555; CL 010463 - 010487).
- (2) The Hospital Accounts Receivable Analysis ("HARA"), 2nd Quarter 1996, Volume 10, Issues 2.
- (3) Exhibit 901.

A	B	C	D	E	F	G	H	I	J	K	L	M
1	Turnaround Initiatives Analysis											
2	Discretionary Spending Opportunity											
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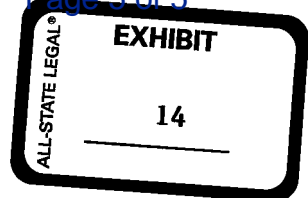
Conclusion: An achievable discretionary spending reduction could result in EBITDA improvement equal to (\$000s) \$ 4,209
Combined correction of assumptions reduces Singleton Report improvement opportunity by (\$000s) \$ (3,433)

Finding #1: Media and advertising budget is not a discretionary expense that can be reduced when a new message needs to be conveyed to the market

Error #1: Wrong time to downsize investment in the form of advertising is during a turn around that includes staffing reduction
Basis - Report assumes 75% of corporate advertising budget could be reduced
Remedy - Assume zero reduction of advertising budget

Dues	Publications and Subscriptions	Seminars	Travel Expense	Luncheons / Meetings	Special Events	Donations / Contributions	Media Advertising	Entertainment	Total
\$ 1,629,507	\$ 1,917,525	\$ 905,267	\$ 4,232,996	\$ 972,997	\$ 786,003	\$ 133,447	\$ 4,577,897	\$ 17,945	\$ 15,173,584
10%	25%	50%	50%	50%	50%	75%	75%	100%	
\$ 162,951	\$ 479,381	\$ 452,634	\$ 2,116,498	\$ 486,499	\$ 393,002	\$ 100,085	\$ 3,433,423	\$ 17,945	\$ 7,642,416
10%	25%	50%	50%	50%	50%	75%	0%	100%	
\$ 162,951	\$ 479,381	\$ 452,634	\$ 2,116,498	\$ 486,499	\$ 393,002	\$ 100,085	\$ -	\$ 17,945	\$ 4,208,994

Sources:
C&L FY1996 audit workpapers (CL01122 - CL011595)

**Sufficiency of Cash Flow**

SIMPLIFIED CASH FLOW			
	FY 97	FY 98	FY 99
Beginning Cash	\$ 27,762	\$ (56,780)	\$ (152,980)
Plus:			
Estimated DVOG and AIHG EBITDA -			
Corrected	(10,086)	(13,225)	(16,177)
Less:			
Capital Requirements	48,631	46,462	45,092
Cash Available for Debt Service	(30,955)	(116,467)	(214,249)
Debt Service	25,825	36,513	35,545
Ending Cash - Corrected	\$ (56,780)	\$ (152,980)	\$ (249,794)

Note: The Singleton report proposes a change in DVOG strategy without consideration for the required increases in capital spending that would be necessary to support a new strategy. These costs would likely be significant and would be in addition to the Capital Requirements figures in the table above.